



Market assessment of jewelry market in China

Case study

BA created a detailed assessment of the Greater China jewelry market for a leading luxury brand company based in Europe

Client Background

- The client is one of the leading luxury brands in the world
- The client wanted to transform itself from an individual brand into a multi-brand company via inorganic growth
- The client wanted to understand the opportunities and risks in the Greater China jewelry market (Mainland China, Hong Kong, Macau and Taiwan) and identify potential acquisition targets

Key Highlights

- BA developed a rich understanding of the opportunities and risks associated with the Greater China jewelry market by analyzing the market size, segmentation, key trends, growth drivers, and challenges
- BA identified and documented the value chain, key entities, and new emerging channels of distribution
- BA identified and profiled key players including key information like financials, product portfolio, marketing strategy, key success factors, etc.
- Lastly, BA identified, shortlisted, and profiled potentially interesting acquisition targets for the client

Key Business Questions



BA analyzed the Greater China jewelry industry including market size, key trends, drivers, and challenges

1

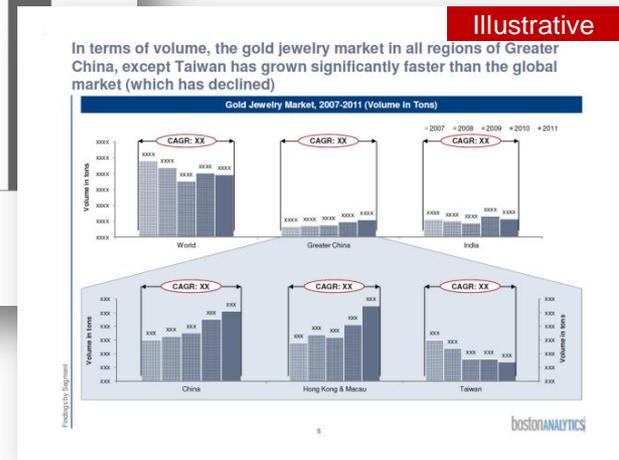
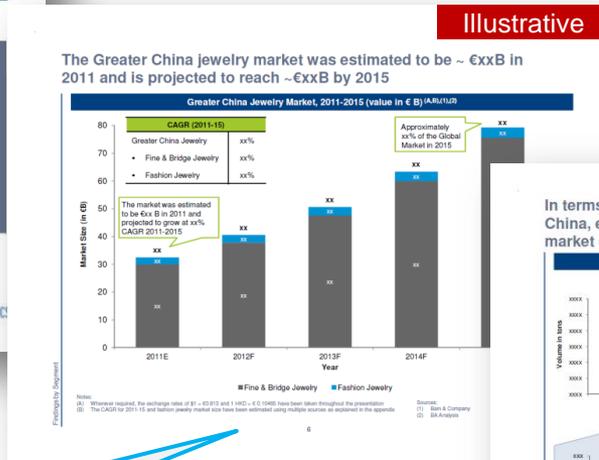
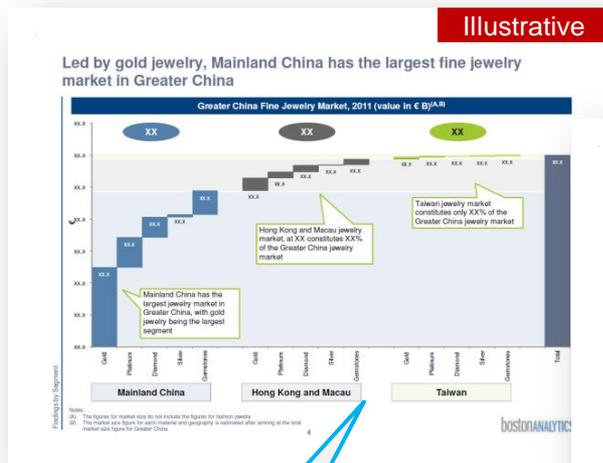
What is the size of the Greater China jewelry market? What are the key forces shaping the current market place? What are the potential growth drivers?

2

Who are the leading players in the Greater China jewelry market? What is their share and size in Greater China and key points of differentiation?

3

Which are the most interesting acquisition targets for the client given its strategy and growth goals?



BA assessed the Greater China jewelry market size and provided the segmentation by type of material, geography, usage, etc.

Regional differences were highlighted by studying various macro economic parameters and identified key forces shaping the market

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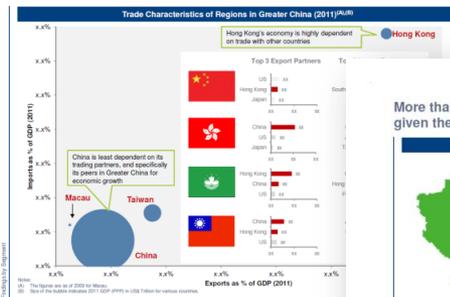
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Illustrative

With the exception of China, all the other regions in Greater China are highly dependent on each other for growth



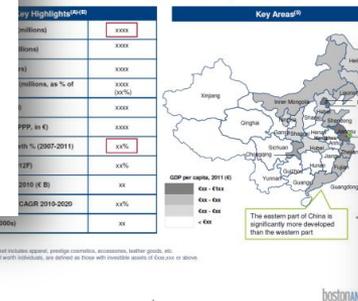
Illustrative

More than xx% of visitors in Macau are from China and Hong Kong, given their proximity to Macau



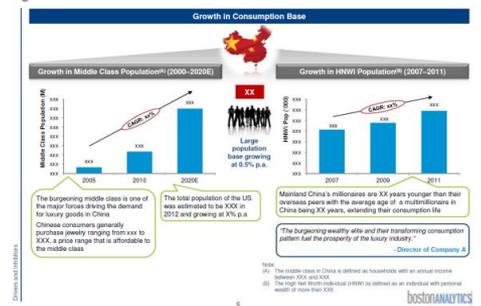
Illustrative

China has the largest population in the world and fast economic growth, become the world's largest consumption story



Illustrative

The number of people who can afford to purchase jewelry has also grown



BA conducted a cross-region comparison to highlight regional differences between Mainland China, Hong Kong, Macau and Taiwan based on economic and demographic parameters, trade characteristics, HDI comparison, etc.

Key market players were identified and assessed using financials, marketing & advertising strategy, etc.

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Illustrative

Company C operates with its signature brands along with international partnerships and exclusive distribution rights

Overview ^{(A),(B)}				
<ul style="list-style-type: none"> Company Type: XXX Headquarters: XXX Founded: XXX Commenced operations in Greater China: XXX Total employees: XXX Market share in Greater China jewelry market: XX Total revenues (2011): XXX Jewelry revenues (2011): XXX Key Executives: XXX 				
Point of Sales				
Country	2009	2010	2011	2012
	XXX	XXX	XXX	XXX
	XXX	XXX	XXX	XXX
	XXX	XXX	XXX	XXX
Total	XXX	XXX	XXX	XXX

Brands	
Signature Brands	International Partnerships
Brand Image Sanitized for Client Confidentiality Purpose	Brand Image Sanitized for Client Confidentiality Purpose
XXX was launched in 2012 and is only available at XX self-operating stores across Greater China	Exclusive distribution rights of XXX Jewellery in Hong Kong, Taiwan and Macau
XXX was fully launched with support of a all round media communication including online and social media in Greater China to build awareness, create noise and trigger motivation to buy	Official agent of XXX and XXX in Hong Kong and Mainland China

"In an attempt to continue to benefit from growing demand for gold and diamonds in mainland China, Company C plans to open XX new stores in the Mainland within the next one to two years.

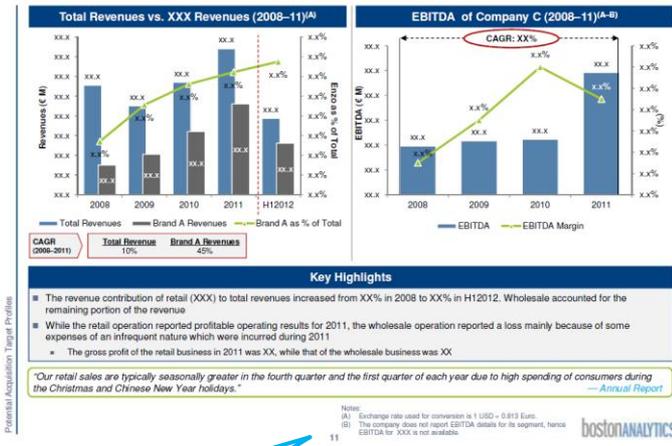
We've made great efforts in online businesses, although at the moment it only accounts for about X to X% of our overall sales."

- WC, Deputy GM, Company C

Notes:
 (A) Data given above is for calendar year (Jan - Dec)
 (B) Exchange rate used for conversion is 1 USD = 0.1485 Euro as of August 29, 2012

Illustrative

Company C's growth has been largely driven by growth in retail business (XXX)



BA provided detailed profiles of key competitors in the market and provided key information like financials, product portfolio, geographic presence, marketing and advertising strategy, etc.

BA then shortlisted and profiled potential acquisition targets

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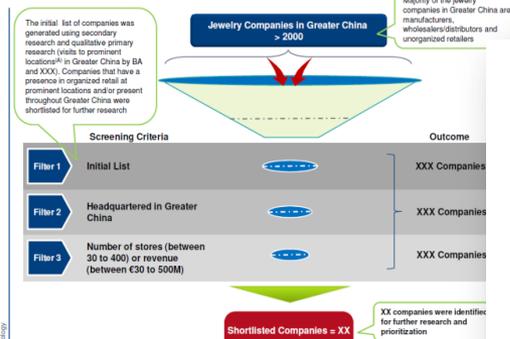
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Illustrative

BA shortlisted potential acquisition targets based on a set of qualitative and quantitative criteria



Illustrative

Company D specializes in colored gemstone jewelry and conducts its retail business through the "XXX" brand, with a primary focus on Greater China

Overview⁽¹⁾

- Company Type: XXX
- Headquarters: XXX
- Founded: XXX
- Commenced operations in Greater China: XXX
- Total employees: XXX
- Management Type: XXX
- Specialty: XXX
- Position in Value Chain: XXX
- Existing Stores: XXX
- Planned Stores: XXX
- Manufacturing Facilities: XXX
- Total revenues (2011): XXX
- Jewelry revenues (2011): XXX
- Key Executives: XXX

Retail Network⁽²⁻⁴⁾

Ownership Structure⁽⁵⁾

Shareholder	# Shares	Shareholding
Shareholder A	XXX	XX
Total Shares	XXX	100%

Distribution Strategy⁽⁶⁾

The company operates through company owned and company managed stores, mostly located in Tier 2 and 3 cities

In Tier 3 cities, the company focuses on locations with growing middle class and preferences for jewelry that is affordable and luxurious

"We are listed in the United States, the company is publicly traded on the NASDAQ, it gives us a lot of credibility and strength."

— RN, CFO, Company C

Illustrative

XXX provides a range of mass market and affordable luxury jewelry including gemstone, diamond and traditional gold jewelry

Product Portfolio

	Colored Gemstones Jewelry	Diamond Jewelry	Gold Jewelry (24K)
% of Total Revenues (2010)	XX	XX	XX
Average Selling Price	XXX	XX	XX

XXX has helped build the category for colored gemstones in China through significant investment in educating consumers

Most of their products have "XXX" engraved on them

"The company's symbol is XXX (on the NASDAQ) but we don't sell any jade in the XXX stores. They really focus on the colored stones, a little bit of gold and a little bit of diamond. But we're going to introduce opal which is crafted to look like jade because jade is much more expensive."

BA shortlisted ten companies as potential acquisition targets using a three stage filtering process and profiled the potentially interesting targets in a consistent template.

For more information, please contact us at:

contact@bostonanalytics.com

+1- 617-415-1691

www.bostonanalytics.com

Boston Analytics *(A division of Pythos Technology (P) Ltd.)*

Boston

396 Washington Street,
Suite 351,
Wellesley, MA 02481
United States

New York

15 Schuyler Hills Road
Loudonville NY 12211
United States

Gurgaon

18th Floor, Tower-B,
DLF Building No. 5
DLF Cyber City, Phase-III
Gurgaon – 122002
Haryana, India

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